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FORTUNE

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PUSHED OUT AT 45— NOW WHAT?

The pain—and the gains—of restructuring corporate America

Like many other managers, Silicon Valley's Joseph Rockom lost his $85,000 job but has bounced back.

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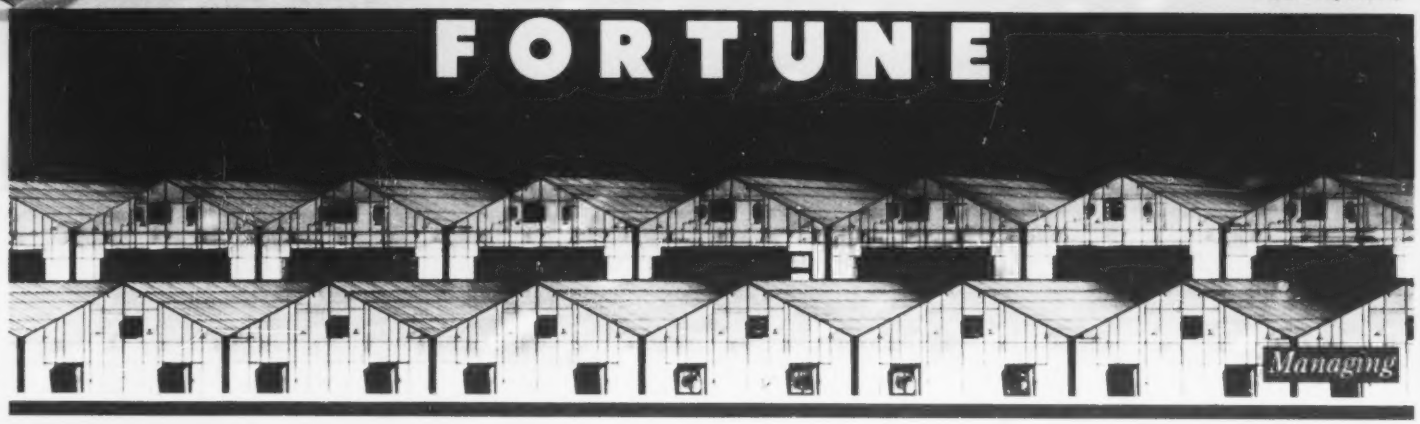

Harry Benson photographed Joseph Rockom at Ikos Inc. in Sunnyvale, California, where Rockom is now chief financial officer. *See page 26.*

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THE EDITOR'S DESK

Editor Faltermayer (left) with Nulty and Magnet

WHEN FORTUNE staff members interview corporate chiefs, as we do just about every day, we find that it's a rare C.E.O. who doesn't boast that he has lately cut whole layers of managers. These restructurings, often the product of mergers and takeovers—or the threat of them—have given executive unemployment a communion with the blue-collar variety caused by hundreds of plant closings earlier in the decade. In this issue, FORTUNE investigates the consequences—human and corporate—of the sometimes turbulent process of restructuring. The three cover stories beginning on page 26 come to some surprising conclusions.

The saga of the suddenly separated manager is one that FORTUNE has been researching for a year. Editor Edmund Faltermayer hatched the idea during a lunch early in 1986 with headhunter E. A. "Bill" Butler, who noted that large numbers of *unsolicited* résumés were piling up at his offices. Recalls Faltermayer: "There were stacks and stacks of them, a trove for a research project on executive unemployment."

Late last year, reporter Kathleen Carroll Smyth interviewed 250 who had sent in résumés in the first half of 1986 to learn of their progress in finding new jobs. The results show the resilience of a group of managers who had often assumed they were set for life—56% have landed in new positions.

Writer Peter Nulty and reporter Patricia Langan analyzed the information and interviewed respondents for the story accompanying the survey. Says Nulty: "It's somewhat unnerving to be writing about people who were muscle and then suddenly were redefined as corporate fat because corporation *X* became corporation *XY*."

But as veteran journalist Richard B. Stolley discovered in his story of four such individuals, these corporate refugees are not as bitter as they could be, once the shock subsides. As a result of their job search, Stolley's subjects had become far more self-analytical. "They say they know themselves much better than they did before," reports Stolley. "And I think they like themselves more, too."

No issue sends business people into their ideological foxholes more quickly than corporate restructuring. The third story in our cover package examines whether it is basically good or bad for corporate America. Writer Myron Magnet, assisted by reporter Alan Farnham, interviewed executives on both sides and studied dozens of companies that had gone through mergers, spinoffs, buyouts, and cutbacks. Magnet's conclusion is that for all of its pains, restructuring has brought gains to the economy—gains that may well last for years to come.

Marshall Loeb

MANAGING EDITOR

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PUSHED OUT AT 45 —NOW WHAT?

For many executives let go in corporate restructurings and cutbacks, finding work is the greatest test of their careers. Yet they have not lost spirit, and an exclusive survey shows that most are winding up in new—and often better-paying—jobs.

■ *by Peter Nulty*

For 17 years Joseph Rockom, 47, climbed the rungs of American Microsystems Inc., a semiconductor manufacturer in California's Silicon Valley. Diligence and loyalty won him the rank of vice president and chief financial officer. By mid-1985 the semiconductor industry was in a slump. Rockom's company was hurting, and its parent, Gould Inc. of Chicago, was getting frustrated. "I could feel what was coming," he says. To cut costs, American Microsystems started laying off managers. One morning in January 1986 he was conducting a staff meeting when the division president walked in, postponed the meeting, and escorted Rockom to the president's office. "As soon as I sat down," says Rockom, "I thought uh-oh, I'm getting fired. As the president delivered the news, my mind wandered. I was thinking that in six months I would look back and be glad."

AS IT TURNED OUT, Rockom's quest for a new employer took far longer. And he isn't alone. Tens of thousands of executives are being thrown out of work, even as the economy enters its fifth consecutive year of expansion, in an unprecedented wave of shrinkings and realignments that is part of the restructuring of corporate America. At AT&T, Exxon, General Electric, and other companies once regarded as havens of career stability, the managerial ranks are beginning to resemble those of the Light Brigade after its charge.

Although the casualties continue to mount, executives in imperiled jobs or already out on the street can take heart. An exclusive FORTUNE survey, whose findings appear on page 29, makes clear that most who are shown the door land elsewhere. Sometimes they are better off than before, though not before enduring what the job-hunting executives examined in the story beginning on page 31 have been going through. Most retain a zest for business and a belief that all the upheaval—and the sweeping away of whole management layers, including their own—is for the country's good. The article that begins on page 38 presents dramatic new evidence that this is so.

Talks with severed executives reveal that:

- Competition in the job market is fierce.
- The most effective way by far to find a new post is through networking—turning to friends and business acquaintances.
- Executive recruiters seldom offer much help since their mission is the opposite of placing the unemployed: pulling in the 1,000-pound tunas still contentedly in the swim.
- Outplacement firms practically never put anyone in a new job either, but they at least shore up battered self-esteem and provide training and tips that help in the search.
- Once a job is secured, the anguish ousted managers felt in their time of trial often turns into appreciation. Some even say the move was the best they ever made. "It was worth it," says a northeastern executive in his late 40s. "I was getting complacent in my old job. When shrubs are transplanted, there is new life and new growth. It happened to me."

More transplantation may be coming. The Bureau of Labor Statistics estimates that between 1981 and 1986, almost 500,000 "executive, administrative, and managerial" workers lost jobs that they had held for at least three years. The numbers are probably increasing as companies now rush to cut costs and raise efficiency.

Out-of-work managers have an easier time than lower-ranking workers do. Of employees displaced since 1981, the BLS says, 72% in the executive group have found new jobs, compared with 64% of the blue-collar and factory workers. Total unemployment averaged 7% last year, but only 2.6% among the executive group. Government statistics, however, give only a blurry impression. The BLS "executive" category includes such people as school principals, construction inspectors, and those who supervise a handful of workers. And the federal data do not convey the difficulty of finding work in a city where whole battalions of managers have been cast out.

To get a clearer idea of what expelled managers face, FORTUNE one year ago asked E.A. Butler & Associates, an executive search firm with offices in several cities around the country, to set aside all unsolicited résumés that arrived in the first half of 1986. Then, late last year, the firm randomly asked a portion of the job seekers for permission to turn over their résumés to FORTUNE. The vast majority agreed, and 250—nearly all male—were queried by telephone about the success of their searches. Most had begun looking between mid-1985 and mid-1986.

The 250 executives included some who said they had not been forced out of their jobs but merely were looking voluntarily for greener pastures. The great majority, however, had been fired or told by their employers to start hunting. These managers probably include a disproportionate number of problem cases. Failing to find work quickly, they have found it necessary to mail out stacks of résumés. The experience of those who admitted to being forced out differed little from that of the voluntary job hunters.

REPORTER ASSOCIATES *Patricia A. Langan and Kathleen Carroll Smyth*

In FORTUNE's survey, 56%, or 141 of the 250 participants, have found new jobs. Another 17% are looking but are still at their old posts. The remaining 27% are the ones in precarious straits: They have left the old job but have failed to find a new one.

Of those who found jobs, only 21% did so in three months or less. But for 66%, the search lasted an arduous four to nine months. And 13% searched from ten months to almost two years. Some outplacement firms warn that clients can expect to spend roughly one month in the job market for every $10,000 in salary they are seeking.

The search gets harder with age, but only up to a point. Among FORTUNE's seekers, those under 35 have a much higher rate of success than the 35-to-44 crowd, which in turn has done better than the 45-to-54s. Beyond 55, at least in FORTUNE's sample, the success rate improves again. This figure may be high partly because only the dedicated job seekers—or the desperate—are still in the labor force. Many executives who are let go at this age drop out of the market and retire.

TO HEAR severed execs tell it, the age problem is entirely in the eyes of the beholders—the prospective employers. Richard Busby, 55, one of those surveyed, was director of purchasing at Goodall Rubber Co. in New Jersey when the company was acquired by Trelleborg of Sweden in 1985. Busby lost his position in a major reorganization. He has a strong job prospect now but says: "I did mass mailings, as many as the computer would spit out. I got a lot of responses, but I think when most saw my age, something went awry."

Fred Holland, 51, spent most of his career with Conoco before becoming president of Irex Corp., a Denver drilling-fund subsidiary of Integrated Resources. After falling prices crippled the oil business, Irex shriveled from 70 employees to 12, and Holland, feeling underemployed, quit. For several months he searched in the oil industry before giving up. "Employers view older men as often set in their ways and hard to manage," he says. "Or, if the older guy is really good, then he's seen as a threat."

continued

"I was naive," *says Joe Rockom, "to think I couldn't be cut." Now he's ensconced as financial chief at Silicon Valley's Ikos Inc.*

PHOTOGRAPHS BY HARRY BENSON

This tale has a happy ending. Holland recently used his other skills—as a highly successful personal investor—to land a job as a personal financial counselor with Lynn Hutchings & Associates in Denver. He says he is glad he will be judged on the value he produces from now on, rather than on his title. This year he expects to make about $25,000 in fees, down sharply from his previous earnings of $150,000, but he believes his income will eventually approach its former level as his clientele expands. It just might do that: Holland figures he has increased his net worth 20-fold over the past ten years, mostly through smart investing.

SURPRISINGLY, nearly half the newly employed executives in FORTUNE's survey have already boosted their income. While the remainder are earning the same or less, many hope to come out ahead because they have been offered more equity participation or their potential bonuses are larger.

Take Thomas Johnson, 52, who used to be president of a Dallas subsidiary of Redman Industries that produces mobile homes. In December 1985 Johnson lost his job because, as he puts it, "There was a health problem: Jim Redman, the chairman, got sick of me." After seven months, networking landed him a position as president of High Chaparral, a manufacturer of prefabricated housing and a subsidiary of Home Savings Association of Midland, Texas. Now Johnson is busily expanding the company from one factory to six. Like most in FORTUNE's survey, Johnson won't reveal his new salary, but says, "While the base is down, the bonus opportunity is up. Home Savings believes in putting a big carrot out there, and I'm working much harder."

When oil slumped, *Fred Holland turned his avocation, personal investing, into a career.*

Most successful hunters bag their quarry by venturing into a different kind of business. In the survey, 62% of the job finders switched industries and 60% are working in smaller companies. Robert Freiburger, 41, used to be a director of manufacturing at a unit of ITT (annual revenues: $12.7 billion) that turns out night-vision goggles used by the military. Now he is general manager of LC Systems, a division of Eagle-Picher Industries ($648 million) producing liquid crystal displays.

Smaller is better, says Freiburger. He was promoted three times in his last ten years at ITT and says he treasures his experience there because it forced him to excel. "But you had to put up with a lot of day-to-day agony. ITT wasn't particularly people-oriented." Eagle-Picher's management, he says, "gives us freedom from constant corporate review of everything. They don't believe in prolific memo writing, policy manuals, and teams of executives descending on you every month. They believe in loyalty of the individual to the company more than larger bureaucratic organizations tend to do."

A few even say they wouldn't want to work for a big company again. James Smith, 47, was a divisional president of the Donald L. Bren Co., a major real estate developer in Irvine, California. He was pushed out in 1985 and now is a partner and senior vice president at Kimball Small Properties, another developer less than half the size of Bren. Smith says he's much more comfortable at the smaller company. "Big corporations don't take care of the needs of their employees. Only the C.E.O.s' needs are important, and they use the corporation as their vehicle. I was never told why I was being let go, and that bothered me tremendously."

Some of the more independent-minded have started their own businesses. Asit Shroff, 42, was a vice president and controller at the Iselin, New Jersey, office of Fleet Finance Inc. Then the New Jersey operation was consolidated with another in Atlanta. Fearing a big loss on the sale of his home and reluctant to uproot his family, he has opened a computer dealership with a friend in Roslyn Heights, New York. Shroff says he's making "close" to what he earned at Fleet and has a 140-mile round-trip commute six days a week. But, he says, "I like being my own boss. I don't regret a thing."

Like Shroff, exactly half the job finders in FORTUNE's survey now perform different tasks from those at their old employers. A slight majority are also supervising fewer subordinates. Some feel a sense of liberation. Johnson of High Chaparral, for instance, used to be insulated from his operations managers by a layer of seven vice presidents. Now he has no vice presidents. "I'm getting in and doing things now," he says, "and having more fun."

JOYS SUCH AS THESE remain an elusive dream for those still on the Long March. As they work into the night cranking out résumés, savings dwindle and phone bills mount. Many are perplexed. They are not society's underachievers and misfits, after all, but winners who steadily advanced to management jobs their companies now deem unaffordable. Laments an executive in his early 40s who never before experienced unemployment: "This is the first time since I was 15 and applying for work in a local store that I have had to search for a job."

E. A. Butler of the headhunting firm, who is also the author of four books of advice for job-seeking executives, thinks many of today's younger executives have a knack for shortening the ordeal. Most job offers that result from prior networking, he says, come in the first 60 days. The yuppie types, he observes, opportunistically grab the first job that comes along and, if it proves disappointing, press on with the search from their new position.

The older crowd is too fussy, Butler says, at least for a while. "The closer they get to retirement, the more careful they tend to be. They think this is going to be the last job, when they really should regard it as the next assignment." At first they want as much money and prestige as they had before. Or their wives don't want to relocate and their families, striving to be supportive, tell them not to settle for less than they think they are worth. Many, Butler adds, have ego problems: "They think the mold was broken after

PROGRESS REPORT

Many executives who lose their jobs line up new ones fairly quickly without sending out a flood of résumés. But a recent follow-up canvass by FORTUNE *of 250 executives who sent résumés in the first half of 1986 to E.A. Butler & Associates, an executive search firm, offers a unique view of the job market. As the charts show, a majority of the seekers, who include some who say they were voluntarily trying to improve their lot, have found work.*

OF 250 MANAGERS WHO HAVE BEEN LOOKING...

Most have been successful . . .

56% FOUND NEW JOBS

17% Have not found jobs but are still with old employer

27% Have not found jobs and have left old employer

but age makes a difference.

Age	Total seekers	Job Finders	
		Number	%
34 and under	19	13	68%
35-44	112	65	58%
45-54	102	52	51%
55 and over	17	11	65%

FOR THE 141 WHO FOUND JOBS...

The search was long.

21% 3 months or less

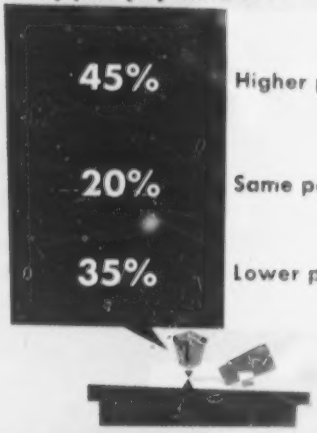
43% 4-6 months

23% 7-9 months

9% 10-12 months

4% 13-23 months

Many jobs pay more . . .

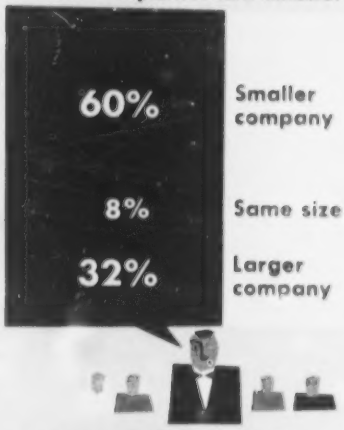


45% Higher pay

20% Same pay

35% Lower pay

but the companies are smaller.

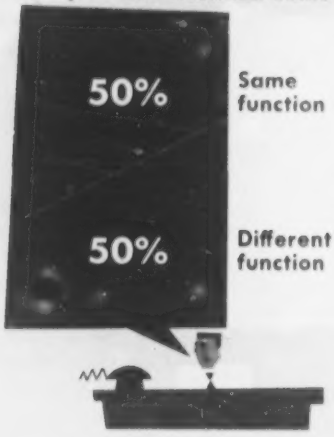


60% Smaller company

8% Same size

32% Larger company

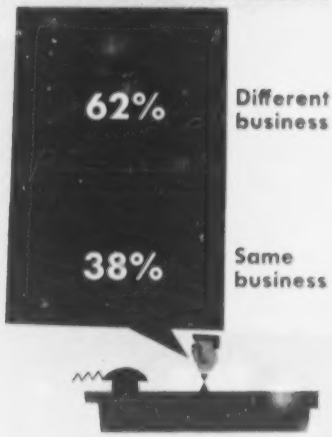
The jobs are often the same . . .



50% Same function

50% Different function

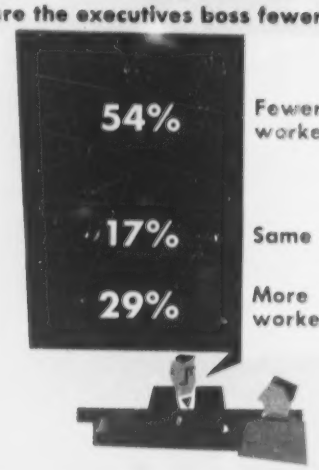
but are in different industries . . .



62% Different business

38% Same business

where the executives boss fewer workers.



54% Fewer workers

17% Same number

29% More workers

ALAN D. LEVENSON

Back in the swim *with a small real estate developer, Jim Smith enjoys the hot tub with his family.*

they were created. It takes about six months for them to realize what they are up against and get religion. By then valuable time has been lost and they have to explain why they have been out of a job for half a year."

Older executives often neglect networking. Butler guesses that only about 10% of executives in big companies actively cultivate useful acquaintances outside their firm. "They labor at their work and raise their families," he says. Joseph Rockom recalls the awkwardness he felt at first going to friends and business associates. "I thought I was begging, hat in hand. You'd better get over that because people want to help."

Mere common courtesy goes a long way toward keeping a network strong. David Myers, 44, was vice president in charge of loss prevention and safety for Household Merchandising of suburban Chicago, the retailing division of Household International. When the division became independent in a leveraged buyout, about 40 corporate executives, including Myers, were let go. Myers, who saw it coming, began compiling a list of contacts before the ax fell. Says he: "No one is too unimportant to keep in touch with. Nobody's phone call should be ignored. People who don't return calls make a mistake from a business and a personal standpoint by not maintaining contacts. If you end up looking for a job, the most important thing is being able to say: 'Hi, I have a problem, do you know of anything? Here is my phone number.' " Within five months Myers had found a job with the Stop & Shop grocery chain of Quincy, Massachusetts. He is due to succeed one of the people on his network list who will soon retire from a position for which he recommended Myers.

CONNECTIONS, of course, are not everything. A few of FORTUNE's survey respondents got results by sending résumés cold to companies they had carefully screened for operations in their field of business. Freiburger's letter to Eagle-Picher brought a company jet with execs one Thursday to his home town of Roanoke, Virginia. They took him to lunch and offered him a job starting the following Monday morning at a plant in Exton, Pennsylvania. Few get jobs by sending unsolicited résumés to headhunters, though it does happen. But one found salvation answering a classified ad in the *Washington Post.*

Outplacement firms are sometimes criticized for being little more than healing balm for the corporate conscience, but these services got surprisingly high marks in the survey. Of the job finders, 33% used outplacement, and three-quarters of them say it was useful. Its main value, beyond boosting crushed egos, is in coaching people for job interviews. Outplacement firms often provide office space and secretarial services and encourage job hunters to don suits and ties, turn up at the outplacement "office" every day, and view the search as a job. All of these tend to ward off a crippling sense of self-pity.

In October 1985 Gerhard Mietz, 55, lost his position as president of RTE/Delta, a subsidiary of RTE Corp. of Wisconsin. Using the services of Hindman Associates of Louisville, Kentucky, Mietz was trained in interviewing techniques with the help of videotapes. "They shot me in a mock interview and then tore me apart. Boy, was the second interview an improvement." Mietz believes that unless an executive is an experienced job hopper, he's probably not very good at selling himself. "The trick," he says, "is to forget your past glories. The interviewer doesn't care. Find out what he needs in advance or by tuning in carefully to his questions." He credits the training with landing him a position as operations manager of a division of German-owned Siemens Energy and Automation in Raleigh, North Carolina.

One profound effect of all the bloodletting is a serious weakening of the emotional bonds that tied managers to companies. As one of the displaced sourly notes, "The rules have changed; the old loyalty is gone." Vows another: "From this day forward I am who I am going to worry about." Even so, most severed executives retain a zest for business, rather like athletes benched during a game but raring to get back on the field. What they seem to miss as much as the paycheck and the perks is the thrill of bashing the competition. "I want back in the game," says one of the jobless. "That's what races my motor. Pardon my French, but I want to beat the bastards."

And what about Joe Rockom, the man who began this story? He is back on the playing field, but it took some doing. Because he was not a job hopper like many Silicon Valley executives, he had not developed a network of contacts during his 17 years at American Microsystems. But the day after he left, he plunged in. Nine months later, with the help of a venture capitalist he knew, Rockom became chief financial officer of a start-up company, Ikos Inc., a manufacturer of engineering work-station computers. His previous job paid about $85,000. Now he earns $70,000 but has what he calls a "large equity position" in the company. If it succeeds, Rockom could come out way ahead. Formerly he had 80 people reporting to him—"an army," he says. Now he alone watches the money. "I am the army. It's fun." F